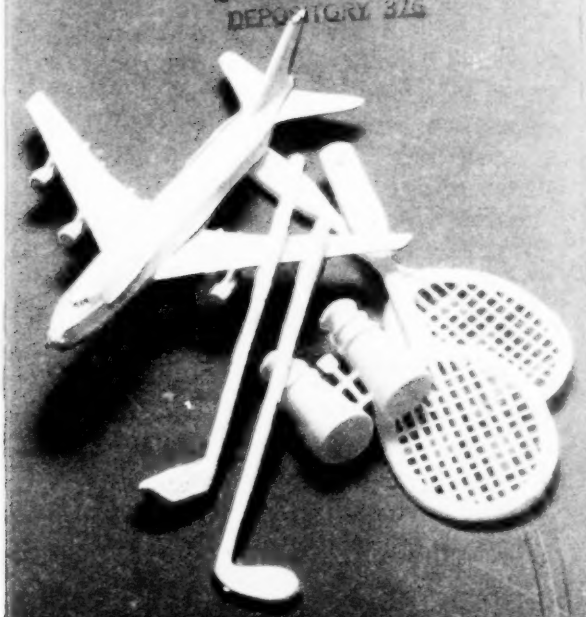
R 31/7/986

THINKING ABOUT RETIRING?

JANUARY 1986 EDITION

NEWARK PUBLIC LIBRARY

DEPOSITORY 375



HE 3.2

Thinking about retiring?

Social Security is one of the first things many people think about when they approach retirement. Most people know that they can receive Social Security checks when they retire, but that's about all they may know. When the time comes to retire, people have a lot of questions about their own Social Security retirement check.

This leaflet answers many of the questions we have received about Social Security and retirement. We hope it helps make your retirement planning a little easier.

If you still have questions after you read this leaflet, you can get answers at any Social Security office. The people there will be glad to help you. You can find the address and telephone number of the nearest office in the telephone directory under "Social Security Administration."

You need work credits

Before you can get retirement checks, you must have credit for a certain amount of work covered by Social Security. The exact amount depends on your age.

The following table shows in years how much credit is needed for retirement benefits.

Work credit for retirement benefits

If you reach 62 in	Years you need
1983	8
1984	8¼
1985	8½
1986	8¾
1987	9
1988	9¼
1989	9½
1991 or later	10

On January 1, 1984, Social Security coverage was extended to all employees of nonprofit organizations. Mandatorily covered employees who were 55 or over on January 1, 1984, may get benefits with credit for less work. Details are available at any Social Security office.

Checks for your family

When you retire, checks can be paid to certain members of your family. Monthly checks can go to your unmarried children under 18, or 19 if still in high school, or 18 or over who were severely disabled

before 22 and who continue to be disabled; your wife or husband 62 or over; and your wife or husband under 62 if she or he is caring for your child under 16 (or over 16 and disabled) who's getting checks on your record.

Choosing retirement time

You're the only person who can really make this decision. It depends on your own personal circumstances. But we can give you some information that may help you decide.

There will be several factors involved in your decision about retiring. A company pension, for instance, may influence your decision. Your ability to keep on working and your own financial situation will also influence your decision. You have to make the decision.

There is another factor to consider. If you work past the full benefit retirement age (currently 65), your monthly benefit will be increased by 3 percent for each year (¼ of 1 percent for each month) that you don't get a benefit. Starting in 1990, the credit will be gradually increased until it reaches 8 percent in 2008.

Social Security retirement checks can be paid as early as 62. But, if you start getting checks before 65, your benefit rate is permanently reduced to take account of the longer period you will be getting them. Starting in 2000, the full benefit retirement age will be gradually increased until it reaches 67 in 2027. This affects people born in 1938 and later.

The size of the reduction depends on the number of months you receive checks before you reach 65. For example, the reduction amounts to 20 percent at 62; 13⅓ percent at 63; and 6⅔ percent at 64. Benefits can be paid only for months you are eligible throughout the entire month. This means that unless your birthday is the first or second of a month, you cannot receive a check for the month you reach 62. When the increase in retirement age is fully effective, a worker retiring at 62 will get a benefit equal to 70 percent of the age 67 benefit.

In general, if you apply for reduced benefits, your checks can start no earlier than the month you apply. If you wait until after you're 65 to apply, you can generally get back payments for up to 6 months, but not before the month you're 65.

Even if you don't plan to retire, it's important for you to contact us 2 or 3 months before you or your spouse reach 65 to arrange for your Medicare health insurance protection to start at 65. If you wait until the month you reach 65 or later, you will lose one or more months of Medicare medical insurance protection.

This is important because many commercial and nonprofit health insurance plans adjust their coverage when a person reaches 65 to take account of Medicare coverage. You may want to get in touch with your insurance agent or the office where you pay health insurance premiums to discuss your health insurance needs in relation to Medicare protection. This is particularly important if you have dependents who are covered under your present policy. Be sure, however, not to cancel any health insurance you now have for your own protection until the month your Medicare coverage begins.

Special rules apply to people who work past age 65 and have employer group health coverage. For information about these special rules, contact your employer or ask any Social Security office for the

leaflet, *Medicare and Employer Health Plans*.

Once you decide when you will retire, you should apply for your Social Security retirement checks at least 2 or 3 months before you plan to stop working. This way, your benefits will start when you stop working. You can apply at any Social Security office.

Documents needed

First, you need your Social Security card or a record of the number.

Next, you need proof of your date of birth. We ask that you submit an official record of your birth or a religious record of your birth or baptism recorded before you were age 5. Only original records or copies certified by the issuing agency can be used. If this is not possible, submit the best evidence you have. The best is often the oldest. The documents will be returned.

Other records that might be acceptable include school, church, State or Federal census, insurance policies, marriage, passports, employment, military service, children's birth certificates, union, immigration, and naturalization. This is not an exclusive list and

there are other records which may prove acceptable. If you're not sure what is best, just call any Social Security office. The people there can tell you what kind of documents are acceptable.

We would like you to submit your W-2 (Wage and Tax Statement) forms for the last year, or if you're self-employed, copies of your self-employment tax returns and proof of filing (a cancelled check, for example) for the last year since recent reports may not yet be in our records.

If your husband or wife is also going to apply for benefits, he or she will need pretty much the same documents. It would also be a good idea to have your marriage certificate available although this is not always needed. If either of you were married before, we will need information about the duration of the previous marriages.

If you have eligible, unmarried children, you should submit their birth certificates and a record of their Social Security numbers, if available.

In some situations, other documents may be needed, but those listed here will be enough in most cases.

Your payment amount

We really cannot say what you'll receive until we check your Social Security record, which shows all of your earnings covered by Social Security.

When you apply, we will figure your exact benefit rate. Your rate will depend on your age and the amount of earnings reported for you. The higher your earnings over the years, the closer your benefit rate will be to the figure shown below. The benefits shown can be paid only to a worker who has always earned the maximum wages covered by Social Security. There is no fixed minimum rate.

But right now, benefits payable to a retired worker who reaches 65 this year can be as much as $760 a month. For a worker who reaches 62 this year, the payment can be as much as $630 a month.

If you retired from employment or self-employment covered by Social Security before you were old enough to get Social Security benefits, those years of no earnings may have to be considered when

your benefit rate is figured. As a result, your benefit rate may be lower than it would be for a person who continued in covered employment until he or she became eligible for benefits.

If you have eligible dependents and you are 65, the payment can be as much as $1,330 a month. If you retire at 62 this year, the payment can be as much as $1,222 a month.

When checks start

If you apply 2 or 3 months before your retirement month, your checks start for the month you retire. You should get it early in the month after the first month you are fully retired. If you apply closer to that month or after, your checks will usually start 6 to 8 weeks after you apply and we have all the required supporting evidence.

How work affects your payments

You can work after you become eligible for Social Security checks. But, the real question is: How much can you earn and still get checks? The answer to this question depends on your age.

If you are 65 to 70 in 1986, you can earn $7,800 this year and receive all benefits due you for the year.

If you are under 65 in 1986, you can earn $5,760 this year and receive all benefits due you for the year.

Benefits are payable after you reach 70 regardless of your earnings.

These annual exempt amounts will increase automatically in future years to keep pace with increases in average wages.

If your earnings exceed the annual exempt amount, $1 in benefits will be withheld for each $2 of earnings above the exempt amount. Beginning in 1990, $1 in benefits will be withheld for each $3 of earnings above the annual exempt amount for people 65 and over. Starting in 2000, the age at which this rate applies will increase as the retirement age increases.

There is a special rule that applies to people only in the year they retire. Under this rule, even though earnings exceed the annual exempt amount, a benefit can be paid for any month the person's wages do not exceed the monthly limit and the person does not perform substantial services in self-employment. The 1986 monthly wage limit is $650 for people 65 or over and $480 for people under 65. (For information about substantial services, ask for a copy of the leaflet, *How work affects your Social Security checks*, at any Social Security office.)

Benefits taxed for higher-income people

A portion of your Social Security benefit will be included in your taxable income if your adjusted gross income, plus nontaxable interest income and half of your Social Security benefits, is more than a base amount. The base amount for an individual is $25,000; for a couple filing jointly, it is $32,000; for a couple filing separately, it is zero if they lived together any part of the year. The amount of benefits to be included in taxable income will be the lesser of:

- One-half of the benefits for the year, or
- One-half of the excess of your combined income—adjusted gross income, plus nontaxable interest plus one-half of benefits—over the base amount.

After the end of the year, you will get a form showing the total benefits you received. This form should be used only in filing your Federal income tax return.

Your reporting responsibilities

You must report any event that might have an effect on your benefit checks. When your claim is approved, you'll receive a "certificate of award" and a copy of the booklet, *Your Social Security rights and responsibilities—retirement and survivors benefits*.

This booklet lists the events you should report to Social Security. It tells you how to report them and also contains information you should know about your Social Security checks.

It would be a good idea to look the booklet over when you get it so you have a clear idea of what your responsibilities are. Keep it where you can find it easily and refer to it if you have a question about what to do. If you don't find the answer, call your Social Security office right away. The people there will be glad to answer your questions.

U.S. Department of Health and Human Services
Social Security Administration
SSA Publication No. 05-10055
January 1986

☆ U.S. GOVERNMENT PRINTING OFFICE 1986: 491-380/40003